PRICEWATERHOUSECOOPERS

Fomack Energy Inc.

Financial Statements
April 30, 2000 and 1999

PRICEWATERHOUSECOOPERS

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September 7, 2000

Auditors' Report

To the Shareholders of
Fomack Energy Inc.

We have audited the balance sheets of **Fomack Energy Inc.** as at April 30, 2000 and 1999 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Fomack Energy Inc.

Balance Sheets

As at April 30, 2000 and 1999

	2000 $	1999 $
Assets		
Current assets		
Cash	13,918	36,488
Accounts receivable	11,308	10,962
Prepaid expenses	7,015	-
	32,241	47,450
Capital assets (note 2)	202,608	123,420
	234,849	170,870
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	178,306	76,276
Bank loan	-	35,000
	178,306	111,276
Reserve for future site restoration costs	5,837	4,037
	184,143	115,313
Shareholders' Equity		
Capital stock (note 3)	502,005	435,755
Deficit	(451,299)	(380,198)
	50,706	55,557
	234,849	170,870

Commitment and contingency (note 7)

Approved by the Board of Directors

_______________ Director _______________ Director

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Fomack Energy Inc.

Statements of Operations and Deficit

For the years ended April 30, 2000 and 1999

	2000 $	1999 $
Revenue		
Petroleum and natural gas sales	125,669	120,341
Royalties, net of Alberta Royalty Tax Credit	(11,207)	(5,003)
Interest	-	2,168
	114,462	117,506
Expenses		
Operating costs	41,300	79,922
Bank charges	97	812
Depletion, depreciation and amortization (note 2)	18,184	37,901
Interest	281	13,563
Investigation costs	11,358	7,590
Management fees (note 7)	85,000	43,750
Office	19,905	23,101
Professional fees	9,438	21,458
	185,563	228,097
Loss for the year before the following	(71,101)	(110,591)
Gain on sale of petroleum and natural gas property	-	100,987
Loss for the year (note 4)	(71,101)	(9,604)
Deficit – Beginning of year	(380,198)	(370,594)
Deficit – End of year	(451,299)	(380,198)
Loss per share	(1.2¢)	(0.2¢)

Fomack Energy Inc.

Statements of Cash Flows

For the years ended April 30, 2000 and 1999

	2000 $	1999 $
Cash provided by (used in)		
Operating activities		
Loss for the year	(71,101)	(9,604)
Items not affecting cash		
Depletion, depreciation and amortization	18,184	37,901
Issuance of common stock for services	53,750	-
Gain on sale of petroleum and natural gas property	-	(100,987)
	833	(72,690)
Changes in non-cash operating working capital	13,713	89,015
	14,546	16,325
Investing activities		
Proceeds on disposal of capital assets	11,000	175,000
Additions to capital assets	(94,072)	(4,792)
Changes in non-cash investing working capital	80,956	-
	(2,116)	170,208
Financing activities		
Decrease in bank loan	(35,000)	(165,000)
(Decrease) increase in cash	(22,570)	21,533
Cash – Beginning of year	36,488	14,955
Cash – End of year	13,918	36,488
Supplemental information		
Interest paid	281	13,563

1 Accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Capital assets

The company follows the full cost method of accounting as set out in the Canadian Institute of Chartered Accountants' accounting guideline. Under this method, all costs of exploring for and developing reserves are capitalized and charged against earnings as set out in the notes on depletion and depreciation. Such costs include acquisition costs, geological and geophysical expenses, costs of drilling and completing both productive and non-productive wells and applicable overhead expenses. Proceeds on the disposal of properties are ordinarily deducted from such costs without recognition of gain or loss unless the disposal results in at least a 20% change in the corporate depletion rate.

Depletion, depreciation and amortization

Depletion and depreciation of petroleum and natural gas properties and related tangible equipment (including costs required to develop proven reserves) is computed by the unit-of-production method based upon estimated gross proven reserves of oil and gas as determined by independent engineers. Oil and gas reserves are converted to equivalent units using their relative heat content. A provision for future site restoration costs is also being made on the unit-of-production basis and is being charged to income within the depletion and depreciation provision.

Ceiling test

The company applies an annual ceiling test to ensure that its oil and gas properties are carried at the lower of cost and net recoverable value. Capitalized cost is the net book value of oil and gas properties less the accumulated future site restoration provision and deferred income taxes. Net recoverable value is the amount of estimated future net revenue from production of proven reserves at year-end prices and costs less estimated costs for future administrative overhead, financing, site restoration and income taxes.

Loss per share

Loss per share is calculated on the basis of the weighted average number of common shares outstanding during the respective fiscal years. Fully diluted earnings per share are antidilutive and therefore are not disclosed.

Income taxes

The company follows the tax allocation method of accounting for income taxes. Under this method, deferred income taxes are provided based on differences in the timing of recognition of revenue and expenses in the financial statements versus taxable income. When amounts claimed for income tax purposes are less than those claimed for financial statement purposes, the potential deferred tax recovery would only be recorded if there is virtual certainty that the timing differences will reverse in the future.

Stock options

The company does not record compensation expense in respect of stock options granted to directors and officers. The consideration paid by holders of the options upon exercise is credited to capital stock.

2 Capital assets

Capital assets consist of the following:

	2000 $	1999 $
Petroleum and natural gas properties and equipment	539,941	444,369
Less: Accumulated depletion	337,333	320,949
	202,608	123,420

3 Capital stock

Authorized

Unlimited number of Class "A" common voting shares without nominal or par value
Unlimited number of Class "B" common non-voting shares
Unlimited number of Class "C" non-voting preferred redeemable shares

The Class "C" preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series, but each series shall have identical rights and restrictions except for the stated capital and redemption amount.

Issued

	Number of shares	Amount $
Class "A" common		
Balance – April 30, 1999 and April 30, 1998	5,270,000	435,755
Issuance of common stock for services (note 7)	537,500	53,750
Issuance of common stock for deposit on property acquisition	100,000	12,500
Balance – April 30, 2000	5,907,500	502,005

Stock options

The company has a share option plan pursuant to which its Board of Directors may allocate options to purchase common shares of the company to directors and officers to a maximum of 10% of the issued and outstanding common shares. The minimum price is that determined by the rules of any stock exchange to which the company is subject. Options are exercisable for five years and vest on the date of grant. A summary of the company's stock option plan as of April 30, 2000 and 1999, and changes during the years then ended is presented below:

	2000 $	1999 $
Balance – Beginning of year	178,000	408,000
Granted	464,700	-
Expired/cancelled	(118,000)	(230,000)
Balance – End of year	524,700	178,000
Exercisable – End of year	524,700	178,000

The options granted and outstanding at year end are as follows:

Options by expiry date	Exercise price $	2000	1999
August 1, 1999	0.10	-	118,000
October 15, 2002	0.12	60,000	60,000
May 14, 2004	0.12	334,000	-
August 31, 2004	0.11	130,700	-
		524,700	178,000

Warrants

During the year, 118,150 warrants were issued in accordance with the management agreement (note 7). Each warrant is convertible to one Class A common share at an exercise price of $0.10 per share. Warrants are convertible at the option of the holder.

4 Income taxes

The differences between the expected tax provision on the combined federal and provincial statutory tax rate of 44.6 percent and the amount actually provided are as follows:

	2000 $	1999 $
Expected income tax recovery	(31,711)	(4,283)
Non-deductible crown payments	5,188	10,593
Alberta Royalty Tax Credits	(1,373)	(8,362)
Resource allowance	4,785	8,190
Unrecognized benefit of losses	23,457	-
Benefit of prior year losses	-	(1,460)
Other	(346)	(4,678)
	-	-

For income tax purposes, the company has non-capital losses carried forward which can be used to reduce future years taxable incomes. These losses, if unused, expire as follows:

	$
2002	52,992
2003	82,222
2004	53,515
2005	14,392
2006	103,221
2007	99,130
	405,472

In addition, the company has tax pool balances in excess of the net book value of the capital assets of $91,945 (1999 – $139,000). The potential benefit relating to the available losses and excess tax pool balances has not been recorded in the financial statements.

5 Financial instruments

The company's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable, and accounts payable and accrued liabilities.

a) Fair values of financial assets and liabilities

The fair values of financial instruments that are included in the balance sheet approximate their carrying amounts due to the short-term maturity of those instruments.

b) Credit risk

The company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

6 Related parties

At April 30, 2000, the company owed $142,322 to CML Resources Ltd. ("CML), a company controlled by the president of the company. This balance is included in accounts payable and accrued liabilities and comprises $67,322 of trade payables and $75,000 of management fees payable (note 7).

7 Commitment

During 1998, the company entered into a management consulting services agreement with CML. The agreement was initially for a term of one year commencing October 1998 for $6,250 per month or issuance of 62,500 shares per month at a price of $0.10 per share plus a one time payment of 118,150 warrants. Each warrant will allow CML to acquire one common share at an exercise price $0.10 per share. This agreement was extended in 1999 for an additional year expiring September 30, 2000.

8 Subsequent event

Subsequent to year-end, CML exercised its option to convert the $75,000 owed to it for management fees (note 7) into 750,000 common shares, in accordance with the terms of the management agreement.